

October 30, 2007

Mary F. Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314

RE: ANPR – Permissible Foreign Currency Investments

Dear Ms. Rupp:

I am writing on behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association that exclusively represents the interests of our nation's federal credit unions (FCUs), in response to the National Credit Union Administration (NCUA) request for written comments regarding NCUA's Advance Notice of Proposed Rulemaking (ANPR) on permissible foreign currency investments.

The ANPR contemplates a proposed rule governing FCU and corporate credit union (corporates) investments denominated in foreign currency. At present, while FCUs and corporates are permitted to accept shares denominated in foreign currency, they are not allowed to make investments in these currencies. The NCUA, as it states in the ANPR, is considering whether to expand their investments powers so that they can make certain investments denominated in foreign currency.

Permitting Credit Unions to Make Currency Investments

The ANPR requests comments on whether the NCUA should permit FCUs and corporates to make limited investments denominated in foreign currency.

As the NCUA recognizes in the ANPR, the Federal Credit Union Act does not prohibit FCUs and corporates from making foreign currency investments. NCUA's regulations, however, either expressly (in the case of corporates) or by effect (in the case of FCUs), disallow such investments. NAFCU strongly supports the amendment of the NCUA regulations to lift the limitations on both FCUs and corporates. For the reasons discussed below, however, we urge the NCUA to discontinue the rulemaking process in this area and instead, institute a pilot program under which entities that are interested in such investments, and are equipped with the appropriate resources and personnel, can engage in the investments in a safe and sound manner.



A Pilot Program Would be Appropriate at this Time

NAFCU strongly supports the ability of FCUs and corporates to make investments denominated in foreign currency. While we recognize that the NCUA is charged with ensuring the safety and soundness of all federally insured credit unions, and understand that the NCUA has limited resources, expertise and experience in such investments, it is critical that credit unions are not dissuaded from making necessary investments or inhibited from serving their members to the fullest of their capabilities.

To balance these concerns, we strongly recommend that the NCUA temporarily suspends the rulemaking process. We further strongly recommend the development and implementation of a pilot program in consultation with interested credit unions. We believe that a pilot program will allow both credit unions and the NCUA to learn more about the risks, benefits and nuances of foreign currency investment. Based on the experience, interested credit unions can learn the safest and most effective way of engaging in these investments. At the same time, the NCUA will have an opportunity to study, gain experience and develop expertise so that it can effectively oversee and regulate without unnecessarily impeding credit unions from serving their members to the best of their capability.

Lending Should Be Part of Pilot or Regulation

As stated above, NAFCU strongly urges the NCUA to discontinue the rulemaking process on foreign currency investments and institute a pilot program from which both the NCUA and the industry can gain insight. We reiterate our position that a pilot program would be more appropriate at this time than a rulemaking. We provide the comments below because NCUA stated in the ANPR that it is not inclined to consider lending as part of the ANPR.

NAFCU believes that to ensure that the pilot program provides the desired benefits, the program must allow participating credit unions the ability to extend loans in foreign denominated currencies. Similarly, in the event that the NCUA proposes a rule on foreign currency investments, we strongly urge that the NCUA extend credit unions the ability to make loans in foreign currencies.

Lending is at the heart of what credit unions do. The exclusion of the ability to lend in a foreign currency will take away a critical service that credit unions must provide to their members. In the context of the ANPR, NAFCU believes that the ability to make loans in foreign currencies will enable credit unions that accept shares in a foreign currency to effectively hedge against risks associated with currency fluctuation. Thus, credit unions will be able to protect against the devaluation of a particular currency by ensuring that the shares and loans are proportional (or equal).

NAFCU welcomes the opportunity to work with the NCUA in the development of a pilot program. Further, we would appreciate the opportunity to discuss matters related to the ANPR with the appropriate NCUA staff. We appreciate the opportunity to comment on the ANPR



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regarding permissible foreign currency investments. Should you have any questions or require additional information please call me or Tessema Tefferi, NAFCU's Associate Director of Regulatory Affairs, at (703) 522-4770 or (800) 336-4644 ext. 268.

Sincerely,



B. Dan Berger

Senior Vice President of Government Affairs

BDB/tt



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